

COVER STORY

MCO casts spotlight on 'disconnect' in agribusiness supply chain

BY SUPRIYA SURENDRAN

Many agricultural experts have spoken about this for years, and former finance minister Tun Daim Zainuddin has been a strong advocate in recent times. It is time the nation got serious about food security, they say.

Its importance cannot be more pronounced than now, with the Covid-19 health crisis affecting the whole world.

Availability, access and utilisation are the pillars of food security, and central to the first two pillars is the supply chain, or in layman's terms, the journey from farm to plate.

However, there are major "disconnects" in the supply chain here, in particular for agricultural produce, that are further aggravated by the Movement Control Order (MCO) imposed to contain the spread of Covid-19.

For example, online portal Malaysiakini reported that restrictions on traffic and market operating hours under the MCO have adversely affected the supply chain for vegetables and raw food. There have also been reports of vegetable farmers in Cameron Highlands throwing away their produce because of logistical issues.

However, it is not just the lack of an integrated logistics system that is causing a disconnect in the agribusiness supply chain, but also a shortage of labour supply.

Dr John Tey Yeong Sheng, a senior researcher at the Institute of Agricultural and Food Policy Studies of Universiti Putra Malaysia, explains that most vegetable farmers work on the "just-in-time" supply chain model.

"For example, if I as a farmer anticipate that the market needs this much produce, I can always hire labour in the local area to help me with production, but this time it is not the case. Also, those who rely on external logistics providers to send their produce to the wholesale markets are now suffering [during the MCO period]," he tells *The Edge*.

Tey points out that the number of workers employed for day-to-day operations on farms has been limited during the MCO period.

"The same restrictions have been imposed at the wholesale level as well, but of course this is for a good reason as social distancing is required [to prevent the spread of Covid-19], and that can only be achieved by limiting the number of persons involved."

He says the daily-wage workers of lowland vegetable farms in particular are mostly illegals, and the majority left the country before the MCO was put in place.



Tey: What is important is for policymakers to look at the longer term. This is not an issue about now, but the future.

"Due to this, some lowland farmers are already anticipating that they will face a labour shortage at the farm level, which could probably affect future supply."

Federation of Malaysian Vegetable Farmers Association president Tan So Tiok confirms that vegetable farmers are experiencing logistical difficulties during the MCO while wholesalers are facing a labour shortage.

"During the first phase of the MCO, the vegetable supply chain was disrupted as farmers' markets were closed, and operations at wholesale markets in Kuala Lumpur and Ipoh were disrupted due to the sanitisation of their premises. Wholesalers also faced a shortage of workers for conducting their operations."

"If things do not get any better, the estimated losses for us vegetable farmers will be RM22.75 million in this 28-day period," he tells *The Edge*.

Tan adds that some farmers had to resort to destroying vegetables that could not be marketed as they would decompose quickly.

"We are hoping that the government will grant us an incentive of RM90 per tonne of produce to ease the burden of farmers. Back in 2008, the granting of an incentive of RM81 per tonne provided support for farmers," he says.

For Lee, an executive with a medium-sized fruit import company, roadblocks are posing a challenge to the delivery of goods to supermarkets.

"In the ports, we don't face so much of an issue, as our containers get cleared faster compared to dry cargo as they are perishable items. As for disruptions to the supply chain, we face difficulty importing fruits from Australia as there are no commercial flights coming to KL. We have the option of booking chartered flights but that is at least three times more expensive, so it is not economically feasible for us to import."

"Therefore, you will find fewer Australian imported fruits on our supermarket shelves during this



A worker destroying vegetables that cannot be sold

period," he tells *The Edge*.

From a global trading standpoint, Rabobank's senior analyst for Asia, Oscar Tjakra, says that most agri-commodities are currently trading below their January levels, except for wheat and rice.

"Global wheat prices are supported by weather worries, which could still affect wheat production in the northern hemisphere. And, to a certain extent, Covid-19 induced stockpiling and consumption increases. Russia also limited their wheat exports from April through June to seven million tons. However, the wheat export quota is not expected to impact global wheat prices significantly as the volume is roughly what Russia was expected to export in the period."

"CBOT rice prices rose to multi-year highs in early April. Prices are up about 15% from the 2020 low seen on March 9 and about 10% since the beginning of the year. Minor production concerns

have lowered the global 2019/2020 production outlook, while demand has jumped due to Covid-19-induced buying," he tells *The Edge*.

At the same time, Tjakra adds that some key rice-exporting countries have limited their rice exports.

"Vietnam temporarily suspended rice exports in late March. However, [its] Ministry of Industry and Trade has proposed to resume the country's rice exports and suggested that the country export 800,000 tons of rice in April and May and set a monthly quota for rice exports."

In Malaysia, the price of imported rice fluctuates according to market prices while there is a ceiling price for domestic rice.

On another note, rising wheat prices will not necessarily translate into higher prices for wheat-based products. Nestle (Malaysia) Bhd CEO Juan Aranols says the group will not be raising the prices of its products.

"On price increases, it would not be right for anyone to take advantage of this current situation. We will not be doing so."

"Since the start of the Covid-19 situation in January 2020, we have assessed the risk of any supply chain disruptions and had early on put measures in place to ensure continuity in raw materials and packaging supply, including for additional inventories."

"At this stage, we are confident in our ability to ensure continuity in our supply to supermarkets and other retail stores," he says.

The way forward

Tey says there is a "clear weakness" in the agribusiness value chain that needs to be addressed, in particular the disconnect between the upstream side — the farmers — and the downstream distributors and retailers.

"When it comes to food security, of course you want to address the problems faced by downstream players, but you have to look at the upstream players as well. If the inputs [such as seeds] are not coming for farmers, how do you expect production to move downstream?"

"What is important is for policymakers to look at the longer term. This is not an issue about now, but the future. If we continue to under-develop our agribusiness value chain, what is going to happen is we are going to see an influx of processed food from other countries. Although they may bring foreign direct investment into our country, you don't get much in terms of technology and knowledge transfers."

"So in the longer run in this food security issue, we need to think of how we can develop our value chain. There needs to be partnerships between big companies and small farmers, and with the coordination of government agencies. My [acronym] for that is 4Ps — Public Private Participatory Partnership... We need the smallholders for production, and we need the big companies to help us with logistics," he says.

It should be noted that efforts have been taken to address food security concerns, as Malaysia has moved up to 28th place on the Global Food Security Index, from 40th in 2018.

However, more work needs to be done before the country can be on a par on this issue with Singapore, which in the past two years has been ranked the top country for food security, even though its agricultural sector is almost negligible.

It is time for Malaysia to build not just an interconnected, but also a resilient agribusiness supply chain — one that is strong enough to weather any health pandemic. ■